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Garimpeiro' columnist Barry FitzGerald has covered the resources industry for 35 years

A bunch of ASX-listed juniors are busting to capture new-found upside in the mineral sands space, writes Barry FitzGerald in his legendary Garimpeiro column.

The mineral sands sector is on the march.

Mineral sands are old beach sands that contain zircon, ilmenite and other minerals. Zircon's high melting point makes it ideal for use in engines and electronics while ilmenite is the main source of titanium dioxide used in paints, fabrics and plastics.

Improved demand at a time of stockpile rundown and supply constraints has led to strong price increases and predictions that prices still have a way to run.

All of that has been amply reflected in the share price performance of leading mineral sands producer **Iluka (ASX:ILU)**.

It's now a $5 billion company thanks to its shares rocketing 42 per cent in the last 12 months to $11.71.

Just as telling has been the recent hostile bid by French group Eramet for its joint venture partner in an integrated mineral sands business that spans Senegal and Norway — the ASX-listed **Mineral Deposits (ASX:MDL)**.

The $290 million or $1.46 a share offer was a 33 per cemt premium to MDL's pre-bid price but is being heavily overbid on the market.

MDL last traded at $1.71 a share, suggesting Eramet needs to increase the offer for success.

Mineral Deposits shares (ASX:MDL) over the past year.

In its fierce rejection of the Eramet offer, MDL pointed out that prices for the 50-50 joint venture's zircon and chloride slag are now at four-year highs.

MDL also said it expects the price "momentum" to continue due to "under-investment in the sector, ongoing resource depletion and other supply side disruptions emerging across the industry".

The stronger demand and price outlook for mineral sands – it was a pretty sad space for five years – is having a trickle-down effect on the junior mineral sand explorers and developers. New supply sources — particularly for zircon — are seen by analysts as necessary to offset supply deficits.

A bunch of ASX-listed juniors are busting to get in to production to capture the new-found upside in the minerals space. But many are dogged by permit delays, lack of financing, or a lack critical offtake arrangements.

Image Resources heads into production

Image Resources (ASX:IMA) is an exception, so much so that it should be in production at its low capex Boonanarring project, all of 80km north of Perth, by the end of the year. First positive cash-flow is forecast for the first quarter of next year.

Boonanarring's comparatively low capex requirement of $52 million, and the speed of its development, has much to do with Image's repurposing of plant and equipment from the since closed Mindarie mineral sands project in South Australia.

And doubts about Boonanarring making it to the starting stalls because a lack of financing were put to rest recently when a $50 million loan note facility was confirmed.

The same goes for product offtake [future sales], with 100 per cent of forecast concentrates production headed off to China.

The way Image managing director Patrick Mutz puts it, Boonanarring is a good old fashioned mineral sands project.

That's because the mineralisation is coarse grained (easier recovery) and low in uranium and thorium (clean product). Its high-grade and zircon-rich minerals assemblage also makes it a fairly rare beast nowadays.

Initial mine life has been put at 8.5 years (based on reserves) but there is good reason to think a 15 year project is likely.

It is forecast to be decent money spinner too, with an updated bankable feasibility study putting the capex payback period at 16 months.

Project earnings (EBITDA) have been put at $56 million in 2019, and $107.8 million in 2020.

It goes without saying that Image is line for a re-rating once that sort of earnings potential is confirmed.

While it is a good old fashioned project, hiccups in getting the operation on song can be expected. Management's challenge is to anticipate and minimise the impact.

Image last traded at 11.5c for a $99 million market cap.

The most recent broker reports on the stock where from Patersons on March 6, and Euroz on March 8.

The brokers set price targets of 19c and 22c a share respectively.